

Message Text

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ACTION NEA-10

INFO OCT-01 EA-10 ISO-00 IO-13 CIAE-00 DODE-00 PM-05
H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01
SP-02 SS-15 USIA-06 EB-08 COME-00 TRSE-00 OMB-01
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TO SECSTATE WASHDC 8569
INFO AMEMBASSY ABU DHABI
AMCONSUL ALEXANDRIA
AMEMBASSY AMMAN
USINT BAGHDAD
AMEMBASSY DAMASCUS
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY MANAMA
USLO PEKING

C O N F I D E N T I A L CAIRO 13905

E.O. 11652: GDS
TAGS: ETRD, EINV, BEXP, EG
SUBJECT: ARAB BOYCOTT: DISCUSSION WITH GOE OFFICIAL

REF: DAMASCUS 5122

1. SUMMARY: IN RECENT DISCUSSION WITH EMBOFF, MINTRADE OFFICIAL DIRECTLY CONCERNED WITH ARAB BOYCOTT AFFAIRS COMMENTED ON SUCH MATTERS AS ADMINISTRATION OF BOYCOTT IN EGYPT AND RELATIONSHIP OF NATIONAL TO CENTRAL BOYCOTT OFFICE. OFFICIAL EXPRESSED WILLINGNESS ASSIST US FIRMS NOW AFFECTED BY OR THREATENED WITH BOYCOTT SANCTIONS IF COMPANIES COULD PROVIDE HIM WITH DOCUMENTARY EVIDENCE IN THEIR FAVOR. HE WAS AWARE THAT NEW US LEGISLATION WOULD MAKE IT DIFFICULT FOR AMERICAN FIRMS TO CONFIDENTIAL

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RESPOND TO BOYCOTT OFFICE QUERIES ON KEY MATTER OF COMPANIES' ACTIVITIES IN ISRAEL, A POINT WHICH HE CLAIMED PLEASED EUROPEANS AND JAPANESE. IN CONTRAST WITH REPORTED OPINION OF FONMIN FAHMY, OFFICIAL DOES NOT BELIEVE EGYPT CAN ACT UNILATERALLY IN PERMITTING ALREADY-BOYCOTTED FIRMS TO SET UP OPERATIONS IN EGYPT. END SUMMARY.

2. EMBOFF PAID RECENT CALL ON RAUF MOHAMMED ALI, DIRECTOR FOR ARAB BOYCOTT AFFAIRS AT GOE MINISTRY OF TRADE, TO LEAVE COPY OF TEXT OF NEW US LEGISLATION ON BOYCOTT. IN

DISCUSSION WHICH TOOK PLACE, ALI MADE NUMBER OF POINTS OF INTEREST ABOUT BOYCOTT MATTERS. ACCORDING ALI, EGYPTIAN DECISIONS ABOUT MOST BOYCOTT QUESTIONS -- THOSE WHICH ARISE LOCALLY, AS WELL AS THOSE REFERRED TO NATIONAL LEVEL BY CENTRAL BOYCOTT OFFICE IN DAMASCUS -- ARE MADE BY A COMMITTEE CHAIRED BY GENERAL AMIN ATTA, HEAD OF THE EGYPTIAN BOYCOTT OFFICE IN ALEXANDRIA. MEMBERS OF COMMITTEE, ALI SAID, INCLUDE HIMSELF, REPRESENTING MINISTRY OF TRADE, AND REPRESENTATIVES OF MINISTRIES OF FOREIGN AFFAIRS, FINANCE, INDUSTRY, AND AGRICULTURE. (IN RESPONSE TO SPECIFIC QUESTION, ALI SAID MINECON DOES NOT HAVE REPRESENTATIVE.) COMMITTEE MEETS AT LEAST MONTHLY, AND MORE OFTEN IF REQUIRED. DECISIONS ARE USUALLY REACHED BY CONSENSUS, BUT ALI CLAIMED THAT IN EVENT OF DISPUTE, MINTRADE HAS "FINAL WORD" SINCE THE DECREE PUTTING MOST SUCH DECISIONS INTO EFFECT WOULD HAVE TO BE ISSUED BY MINISTER OF TRADE.

3. CENTRAL BOYCOTT OFFICE IN DAMASCUS, ALI SAID, IS COORDINATING AND POLICY-MAKING BODY. ANY STATEMENT OR SPECIFIC RESPONSE TO US LEGISLATION, FOR EXAMPLE, WOULD COME FROM DAMASCUS. CENTRAL OFFICE ORDINARILY ACTS, HOWEVER, IN CONSULTATION WITH NATIONAL BOYCOTT OFFICES. AS EXAMPLE, DAMASCUS USUALLY REFERS TO NATIONAL OFFICES RESULTS OF CONFIDENTIAL

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INQUIREIES IT HAS CONDUCTED WITH RESPECT TO WHETHER A FIRM SHOULD BE BOYCOTTED. EACH NATIONAL OFFICE MAKES ITS DECISION ON CASE, WHICH IS THEN DISCUSSED AMONG MEMBER COUNTRIES AT THE SEMI-ANNUAL ARAB BOYCOTT CONFERENCES IN ORDER TO ARRIVE AT FINAL CONCLUSION.

4. IN THEORY, ACCORDING ALI, A DECISION OF THE MAJORITY OF STATES TO BOYCOTT A PARTICULAR FIRM OR INSTITUTION OR TO REMOVE IT FROM BOYCOTT LIST, IS BINDING ON ALL MEMBER STATES. IN PRACTICE, HOWEVER, EACH STATE CAN, IF IT IS WILLING TO PUSH MATTER, INSIST THAT A "FINAL" DECISION BE CARRIED OVER TO NEXT MEETING AND THEREBY DELAY INDEFINITELY THE NECESSITY FOR LOCAL IMPLEMENTATION. ALI CITED ROCKWELL CORP., WHICH HE CLAIMED AT ONE TIME A MAJORITY OF ARAB COUNTRIES WANTED TO BOYCOTT. COMPANY HAD CONVINCED EGYPTIANS, HOWEVER, THAT CASE AGAINST IT WAS UNSOUND AND EGYPTIAN INSISTED ON POST-PONEMENT OF FINAL DECISION. AT LENGTH, EGYPTIANS WERE ABLE TO PERSUADE OTHER ARAB STATES AND THREAT OF BOYCOTT SANCTION WAS REMOVED.

5. ALI EXPRESSED PERSONAL WILLINGNESS TO ASSIST AMERICAN FIRMS NOW ON BOYCOTT LIST OR THREATENED WITH BOYCOTT SANCTIONS IF THOSE FIRMS PROVIDE HIM WITH DOCUMENTARY EVIDENCE ON BASIS OF WHICH CASE COULD BE MADE IN THEIR FAVOR IN BOYCOTT COMMITTEE FORUM. ALI RECOGNIZED THAT NEW US LEGISLATION WOULD POSE PROBLEMS FOR FIRMS IN RESPONDING TO BOYCOTT OFFICE QUERIES ABOUT THEIR ACTIVITIES IN ISRAEL. HE SAID HE WAS PREPARED TO

ACCEPT REPRESENTATIONS PROVIDED BY COMPANY SUBSIDIARIES IF THIS WOULD PROVIDE A WAY AROUND THE PROBLEM. (EMBOFF NOTED THAT TERMS OF US LEGISLATION APPEAR TO MAKE IT APPLICABLE TO FOREIGN AFFILIATES IF "CONTROLLED" BY US FIRM, ALTHOUGH MANY QUESTIONS OF INTERPRETATION AND SPECIFIC APPLICATION OF LAW WOULD BE CLARIFIED ONLY AFTER ISSUANCE OF REGULATIONS.)

6. IF PROBLEM OF RESPONDING TO BOYCOTT OFFICE QUERIES WERE NOT SOMEHOW RESOLVED, ALI SAID, AMERICAN FIRMS WOULD LOSE CONFIDENTIAL

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MONUMENTAL AMOUNT OF BUSINESS IN ARAB WORLD. EUROPEANS AND JAPANESE ARE QUITE PLEASED, HE CLAIMED, WITH PROBLEMS US FIRMS ARE NOW HAVING WITH BOYCOTT AND WITH SEEMING LIKELIHOOD THAT NEW LEGISLATION WILL MAKE IT EVEN MORE DIFFICULT FOR AMERICAN COMPANIES TO PREVENT BOYCOTT ACTION ACTING RESPONSIBLY IN MAKING INQUIRIES ABOUT ACTIVITIES OF FIRMS, ALI'S COMMENTS PARALLELED THOSE OF DAMASCUS OFFICIAL DESCRIBED REFTEL. BOYCOTT OFFICE ACTS ONLY ON BASIS OF RELIABLE INFORMATION, ALI SAID, AND IS PATIENT IN AWAITING REPLIES TO ITS QUESTIONS. IF REPLIES ARE NOT FORTHCOMING, HOWEVER, COMMITTEE HAS LITTLE CHOICE BUT TO IMPOSE BOYCOTT SANCTIONS.

7. DESPITE EXPRESSED WILLINGNESS OF ALI TO "GO TO BAT" FOR AFFECTED US FIRMS ABLE TO DOCUMENT A FAVORABLE CASE FOR THEMSELVES, HE DOES NOT BELIEVE EGYPT COULD ACT UNILATERALLY IN PERMITTING AN ALREADY BOYCOTTED FIRM (FORD WAS SPECIFICALLY DISCUSSED) TO SET UP OPERATIONS IN EGYPT BEFORE BOYCOTT SANCTION IS FORMALLY LIFTED. (THIS CONTRASTS WITH VIEW EXPRESSED ON SEVERAL OCCASIONS BY GOE FONMIN FAHMY.) EVEN IF COMPANY RECEIVES SUPPORT OR "APPROVAL" FROM HIGHEST LEVELS OF GOE, ALI SAID, HE DOES NOT SEE HOW EGYPTIAN OFFICIALS (USUALLY INCLUDING A FOREIGN MINISTRY REP) COULD FACE OTHER ARAB STATES AT BOYCOTT COMMITTEE MEETINGS UNDER CIRCUMSTANCE THAT THEY HAD UNILATERALLY UNDERMINED ARAB ECONOMIC WEAPON BY OPENLY PERMITTING PROMINENT BOYCOTTED FIRM TO OPERATE IN EGYPT.

8. ALI IS SCHEDULED TO LEAVE HIS PRESENT POSITION "NEXT MONTH" FOR ASSIGNMENT AS COMMERCIAL COUNSELOR IN PEKING. HE SAID THAT IF THERE IS ANYTHING HE CAN DO TO BE HELPFUL WITH RESPECT TO A BOYCOTT MATTER, HE WOULD BE PLEASED TO HAVE A COMPANY OR EMBASSY CONTACT HIM IN PEKING. ALI'S CONFIDENTIAL

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DEPUTY, ISMAIL ABDEL KHALIK, IS TO LEAVE AT ABOUT THE SAME TIME FOR A POST IN TURKEY. THEIR SUCCESSORS AT MINISTRY OF TRADE, ALI SAID, HAVE NOT YET BEEN DESIGNATED.

9. COMMENT: ALI'S WILLINGNESS TO "HELP" AMERICAN FIRMS ADVERSELY AFFECTED BY BOYCOTT TO MAKE THEIR CASE, IF CIRCUMSTANCES WARRANT, IS CONSISTENT WITH WHAT HE HAD PREVIOUSLY HEARD ABOUT HIS ATTITUDES (SEE CAIRO 11001). APPARENT CONTRADICTION BETWEEN HIS VIEWS AND THOSE OF FAHMY ABOUT WHETHER PRESENTLY BOYCOTTED FIRM WOULD BE ALLOWED OPERATE HERE HAS NOT YET BEEN TESTED. FORD FOR EXAMPLE IS STILL IN PROCESS OF WORKING OUT WITH GOE ECONOMIC ASPECTS OF ITS INVESTMENT PROPOSAL. ALI'S COMMENTS ON ADMINISTRATION OF BOYCOTT IN EGYPT ARE ILLUMINATING AS FAR AS THEY GO, BUT IT IS APPARENT THAT THERE IS MUCH ABOUT DECISION-MAKING PROCESS WHICH REMAINS BE LEARNED. EILTS

CONFIDENTIAL

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Message Attributes

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